

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SCI-06 XMB-07 EB-11 COME-00 PM-07

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R 241730Z SEP 73

FM USMISSION EC BRUSSELS

TO AEC GERMANTOWN 867

INFO AMEMBASSY BONN

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SECSTATE WASHDC 5767

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PASS TO HOLLINGSWORTH, FRIEDMAN, ABBADESSA AEC GERMANTOWN

BONN FOR KIRSCHBERG

FROM: J. FLAHERTY

E.O.11652: GDS

TAGS: TECH

SUBJECT: FLAHERTY REPORT ON VISIT TO NUKEM

1. THE FOLLOWING REPORT IS BASED ON CONVERSATIONS WHICH FLAHERTY HELD ON SEPT 20, 1973, WITH REPRESENTATIVES OF NUKEM IN HANAU, GERMANY.

2. A RUSSIAN OFFER TO FURNISH 3 MILLION SEPARATIVE WORK UNITS AT \$32 TO THE GERMANS HAS APPENTLY GREATLY DIMINISHED THE CHANCES FOR OUR MAKING THIS ADVANCED SALE.

3. WHICH OUR PRICE OF \$36 THERE ARE ONLY THE FOLLOWING TWO POSSIBILITIES OF MAKING THIS SALE. FIRST, COMPLETION OF THE TRANSACTION UNDER THE MILITARY OFFSET AGREEMENT WHICH WOULD RELIEVE THE GERMAN UTILITIES OF INTEREST PAYMENTS, AND SECOND, FINANCING UNDER AN EXPORT/IMPORT BANK LOAN WHICH WOULD PLACE
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45 PERCENT OF THE PURCHASE PRICE AT AN INTEREST RATE OF 6

PERCENT AND THE BALANCE UNDER THE CURRENT EURO DOLLAR LOAN RATE OF 9 PERCENT. SINCE THE ENTIRE RUSSIAN PURCHASE WOULD BE AT THE HIGHER INTEREST RATE, THIS EXPORT/IMPORT BANK ARRANGEMENT MAKES THE U.S. AND RUSSIAN OFFERS APPROXIMATELY EQUAL.

4. PURCHASE UNDER THE MILITARY OFFSET AGREEMENT IS BEING OPPOSED BY THE GERMAN FINANCE MINISTRY ON THE GROUNDS THAT THE GERMAN DEFENSE MINISTRY REQUIRES MILITARY HARDWARE THAT WOULD USE THE ENTIRE OFFSET AMOUNT. THIS MEANS THAT THE GERMAN DEFENSE BUDGET WOULD BEAR THE FULL BURDEN OF THE OFFSET AND THE FINANCE MINISTRY WOULD NOT HAVE TO RAISE ADDITIONAL FUNDS.

5. FLAHERTY HAS ASKED THE BRUSSELS OFFICE TO FOLLOW THIS SITUATION CLOSELY AND KEEP AEC ADVISED ON A REGULAR BASIS. GREENWALD

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